

Message Text

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ACTION XMB-04

INFO OCT-01 AF-06 ISO-00 AID-05 CIAE-00 COME-00 EB-07

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FM AMEMBASSY NAIROBI

TO SECSTATE WASHDC 8250

INFO AMEMBASSY DAR ES SALAAM

LIMITED OFFICIAL USE NAIROBI 2335

PASS EXIMBANK

E.O. 11652: N/A

TAGS: EAIR, EXIM, KE, UG, TZ

SUBJECT: MANAGEMENT CONTRACT FOR EAST AFRICAN AIRWAYS

REF NAIROBI 2185

1. SUMMARY. QUESTION OF MANAGEMENT CONTRACT FOR EAST AFRICAN AIRWAYS, JOINTLY OWNED BY GOVERNMENTS OF KENYA, UGANDA, AND TANZANIA, REMAINS UNSETTLED. EASTERN AIRLINES SEEMS DETERMINED TO WITHDRAW, WHILE TWA HAS APPARENTLY LOST INTEREST. ALL THREE GOVERNMENTS SEEM ANXIOUS TO HAVE AN AMERICAN AIRLINE CONTINUE WITH ASSISTANCE, AND EMBASSY BELIEVES IT IS IN U.S. INTEREST TO SUPPORT THIS DESIRE. END SUMMARY.

2. IN CALL ON AMBASSADOR MARCH 5, CAPT. ROBERT RIVENBARK, TECHNICAL DIRECTOR AND OPERATIONS DIRECTOR, EAST AFRICAN AIRWAYS, SAID TWA HAS DECIDED NOT TO ACCEPT THE MANAGEMENT CONTRACT WITH EAA. REASON, ACCORDING TO RIVENBARK, IDENTICAL TO THAT GIVEN BY EASTERN FOR BOWING OUT AS OF JUNE 30, 1976: INABILITY TO SPARE HUMAN RESOURCES WITH
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PROBLEMS AT HOME (USA). RIVENBARK SAID EAA HAD CONTACTED,

WITH EQUALLY NEGATIVE RESULTS, AMERICAN, NATIONAL, CONTINENTAL, NORTHWESTERN, AND BRANIFF.

3. RIVENBARK STATED EAA IS NOW LOOKING AT NON-AMERICAN AIRLINES BUT MAY HAVE TO HIRE EXPATRIATE PERSONNEL ON OPEN MARKET. PAN AMERICAN IS NOT RPT NOT A POSSIBILITY BECAUSE IT COMPETES WITH EAA. HE PORTRAYED EASTERN'S DECISION TO LEAVE AS IRREVOCABLE.

4. ON MARCH 8, AMBASSADOR RECEIVED FOLLOW-UP VISIT BY ARNOLD B. KILEWO, CHAIRMAN, EAST AFRICAN AIRWAYS CORPORATION, ACCOMPANIED BY RIVENBARK. KILEWO RELAYED EXTREME CONCERN OF ALL THREE GOVERNMENTS OF EAST AFRICAN COMMUNITY (KENYA, UGANDA, AND TANZANIA) OVER NEED FOR MORE TIME TO CONSOLIDATE ACHIEVEMENTS OF LAST THREE YEARS UNDER EASTERN'S MANAGEMENT. KILEWO URGENTLY REQUESTED AMBASSADOR FOR SUPPORT IN GETTING EASTERN TO EXTEND CONTRACT FOR AT LEAST ONE YEAR BEYOND PRESENT EXPIRY DATE OF JUNE 30, 1976. IF EASTERN REMAINS ADAMANT, THEN KILEWO STRESSED DESIRABILITY OF SOME OTHER AMERICAN AIRLINE TAKING OVER FOR ABOUT THREE YEARS.

5. AMBASSADOR SAID HE UNDERSTOOD NATURE OF PROBLEM AND PROMISED SUPPORT, POINTING OUT THAT U.S. RELATIONS WITH ALL THREE COUNTRIES ARE AFFECTED BY ISSUE. HE ADDED THAT BEST EFFORT BY USG REQUIRED IF WE ARE NOT TO LET THESE COUNTRIES DOWN.

6. ACTION REQUESTED. PLEASE TAKE APPROPRIATE ACTION AND INFORM WHETHER DEPARTMENT WOULD CONSIDER IT USEFUL FOR AMBASSADOR TO COMMUNICATE DIRECTLY WITH LAURANCE ROCKEFELLER, MAJOR SHAREHOLDER IN EASTERN WHOM AMBASSADOR KNOWS, TO EXPLORE WHETHER EASTERN MIGHT RECONSIDER INTENTION TO WITHDRAW.

7. COMMENT. WHILE ACCEPTING RIVENBARK'S STATEMENT THAT PRINCIPAL REASON WHY EASTERN HAS LOST INTEREST IS THAT HIGHLY QUALIFIED PERSONNEL NOW STATIONED KENYA ARE NEEDED IN FLORIDA, WE BELIEVE SMALL FEE RECEIVED BY EASTERN, REPORTEDLY \$100,000 OVER EXPENSES, WAS ALSO LIMITED OFFICIAL USE

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FACTOR IN DETERMINING OPERATION AS MARGINAL IN EYES OF EASTERN BOARD. EMBASSY HAS REPORTED PREVIOUSLY THAT CONSTANT BICKERING AND HOLDUPS IN CASH FLOW AMONG REGIONAL OFFICES OF THREE UNEASY EAC PARTNERS ALSO LED TO DISENCHANTMENT. NONETHELESS, EARNINGS AND ECONOMIC HEALTH OF AIRLINE SEEM TO HAVE IMPROVED STEADILY WITH EASTERN'S HELP, AND FEE IS DEFINITELY NEGOTIABLE. FYI, IN DISCUSSING THIS OPPORTUNITY WITH VARIOUS AMERICAN

AIRLINES, DEPARTMENT SHOULD KNOW THAT EASTERN DOES NOT
WANT ITS INTENTIONS TO LEAVE EAA PUBLICIZED BECAUSE THIS
MIGHT IMPAIR EASTERN'S CONTINUING EFFECTIVEESS AS EAA
MANAGER BETWEEN NOW AND JUNE.

DECONTROL 3/9/77
MARSHALL

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